

## BUDGET DEVELOPMENT

6120

(Revised 10/2017)

The State Constitution, [Article IV, Section 12](#), requires the Governor to submit a budget to the Legislature by January 10 each year. The budget must contain itemized statements for recommended expenditures and estimated revenues. California Constitution requires a balanced budget; therefore, if the proposed level of recommended expenditures for the budget year exceeds available resources, the Governor is required to recommend the sources from which the additional revenues should be provided.

The Director of Finance, as the chief financial advisor to the Governor, directs preparation of the Governor's Budget and its subsequent update in the May Revision. Under the policy direction of the Governor, the Director of Finance issues instructions and guidelines for budget preparation to agencies and departments.

Although California does occasionally use budgeting concepts such as Zero-Based Budgeting, Mission-Based Budgeting, Management by Objectives, and Total Quality Management, the primary method utilized to prepare the budget is incremental budgeting for support budgets and zero-based budgeting for capital outlay appropriations.. Incremental budgeting uses current department/program levels of funding as a base amount to be adjusted by budget change proposals (BCPs). BCPs have traditionally been the method for departments to propose changes to their existing budgets. Finance issues specific instructions for preparation of BCPs annually in a Budget Letter, and departments submit BCPs to Finance for review and analysis. Capital outlay budgets do not generally have a base amount. The amount of funding is one-time in nature.

A fundamental goal in the budget development process is to resolve budget issues at the lowest level possible. Departments under an Agency Secretary must clear their proposals through their respective Agency before submitting them to Finance. For non-Agency departments, proposals are presented directly to Finance. Issues which are not resolved between departments and Finance staff are discussed with the Finance Program Budget Manager. Issues still not resolved at this level are potentially discussed further at appeals conducted by the Director of Finance. The most sensitive issues are ultimately presented to the Governor for a decision.

After all decisions are completed, Finance coordinates with the Office of State Publishing for printing of the various publications related to the Governor's Budget. They are also available on Finance's public website at <http://www.dof.ca.gov>:

Governor's Budget Summary—A summary volume which includes the Governor's goals and objectives for the forthcoming fiscal-year, and the policy perspectives and highlights of the changes in the Governor's Budget.

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**6120** (Cont. 1)

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Governor's Budget—A detailed presentation for each department for the past, current, and budget fiscal-years.

Salaries and Wages Supplement—A detailed presentation of authorized staffing and related salaries.

The Governor annually unveils the budget at a formal press conference. The Governor's State of the State address also typically includes a general presentation of the Administration's budget policies and priorities.

By constitutional requirement, the Governor's Budget must be accompanied by a Budget Bill itemizing recommended expenditures not to exceed estimated revenues which shall be introduced in each house of the Legislature. Proposition 58 (2004) amended the Constitution by requiring the Legislature to send a balanced Budget to the Governor for consideration and the Governor to sign a balanced budget. The Constitution also requires that the Legislature pass a Budget Bill by June 15 (or the legislators' pay will be forfeited during the delay).